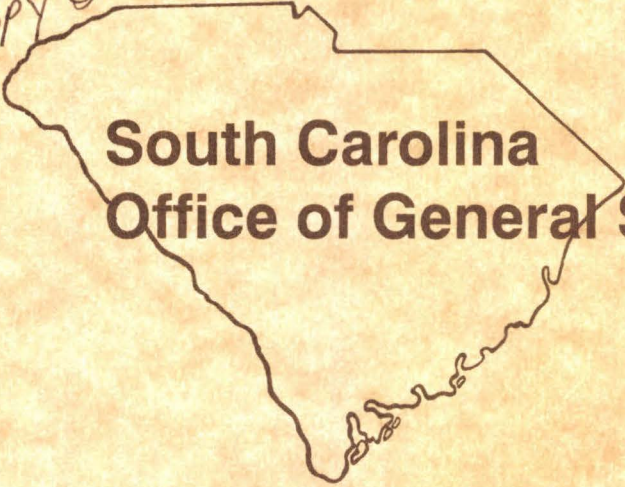


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**South Carolina  
Office of General Services**

# PROCUREMENT AUDIT AND CERTIFICATION

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**GREENVILLE TECHNICAL COLLEGE**  
**AGENCY**

**JULY 1, 1998 – DECEMBER 31, 1999**  
**DATE**



STATE OF SOUTH CAROLINA  
*State Budget and Control Board*  
OFFICE OF GENERAL SERVICES

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MATERIALS MANAGEMENT OFFICE  
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R. VOIGHT SHEALY  
ASSISTANT DIRECTOR

July 17, 2000

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CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY  
EXECUTIVE DIRECTOR

Mr. Robert W. McClam, Director  
Office of General Services  
1201 Main Street, Suite 420  
Columbia, South Carolina 29201

Dear Robbie:

I have attached the audit report for the Greenville Technical College. Since we are not recommending any certification above the basic \$5,000 allowed by the Code, no action is required by the Budget and Control Board. Therefore, I recommend that the report be presented to the Budget and Control Board as information.

Sincerely,

A handwritten signature in cursive script that reads "Voight Shealy".

R. Voight Shealy  
Materials Management Officer

/jl

**GREENVILLE TECHNICAL COLLEGE**

**PROCUREMENT AUDIT REPORT**

**JULY 1, 1998 - DECEMBER 31, 1999**

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ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY  
EXECUTIVE DIRECTOR

June 13, 2000

Mr. R. Voight Shealy  
Materials Management Officer  
Office of General Services  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have examined the procurement policies and procedures of Greenville Technical College for the period July 1, 1998 through December 31, 1999. As part of our examination, we studied and evaluated the system of internal control over procurement transactions to the extent we considered necessary.

The evaluation was to establish a basis for reliance upon the system of internal control to assure adherence to the Consolidated Procurement Code, State regulations, and the College's procurement policy. Additionally, the evaluation was used in determining the nature, timing and extent of other auditing procedures necessary for developing an opinion on the adequacy, efficiency and effectiveness of the procurement system.

The administration of Greenville Technical College is responsible for establishing and maintaining a system of internal control over procurement transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide

management with reasonable, but not absolute, assurance of the integrity of the procurement process, that affected assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the system of internal control over procurement transactions, as well as our overall examination of procurement policies and procedures, were conducted with professional care. However, because of the nature of audit testing, they would not necessarily disclose all weaknesses in the system.

The examination did, however, disclose conditions enumerated in this report which we believe need correction or improvement.

Corrective action based on the recommendations described in these findings will in all material respects place Greenville Technical College in compliance with the South Carolina Consolidated Procurement Code and ensuing regulations.

Sincerely

A handwritten signature in dark ink, appearing to read "Larry G. Sorrell", written in a cursive style.

Larry G. Sorrell, Manager  
Audit and Certification



## INTRODUCTION

We conducted an examination of the internal procurement operating policies and procedures of Greenville Technical College. Our on-site review was conducted February 14-25, 2000 and was made under Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations.

The examination was directed principally to determine whether, in all material respects, the procurement system's internal controls were adequate and the procurement procedures, as outlined in the Internal Procurement Operating Procedures Manual, were in compliance with the South Carolina Consolidated Procurement Code and its ensuing regulations.

Additionally, our work was directed toward assisting the College in promoting the purposes and policies of the Code as outlined in Section 11-35-20, which include:

- (1) to ensure the fair and equitable treatment of all persons who deal with the procurement system of this State
- (2) to provide increased economy in state procurement activities and to maximize to the fullest extent practicable the purchasing values of funds of the State
- (3) to provide safeguards for the maintenance of a procurement system of quality and integrity with clearly defined rules for ethical behavior on the part of all persons engaged in the public procurement process

## SCOPE

We conducted our examination in accordance with Generally Accepted Auditing Standards as they apply to compliance audits. Our examination encompassed a detailed analysis of the internal procurement operating procedures of Greenville Technical College and its related policies and procedures manual to the extent we deemed necessary to formulate an opinion on the adequacy of the system to properly handle procurement transactions.

We systematically selected samples for the period July 1, 1998 through December 31, 1999 of procurement transactions for compliance testing and performed other audit procedures that we considered necessary to formulate this opinion. Specifically, the scope of our audit included, but was not limited to, a review of the following:

- (1) All sole source, emergency and trade-in sale procurements for the period July 1, 1998 through December 31, 1999
- (2) Procurement transactions from the period July 1, 1998 through December 31, 1999 as follows:
  - a) Seventy payment transactions exceeding \$1,500 each reviewed for competition and compliance to the Code
  - b) A block sample of six hundred sequential purchase orders from the audit period reviewed for order splitting and favored vendors
- (3) Four construction contracts and one professional service contract for compliance with the Manual for Planning and Execution of State Permanent Improvements
- (4) Minority Business Enterprise Plan and reports for the audit period
- (5) Information technology plans for audit period
- (6) Internal procurement procedures manual review
- (7) Surplus property procedures
- (8) File documentation and evidence of competition



## RESULTS OF EXAMINATION

The Office of Audit and Certification performed an examination of the internal procurement policies and procedures manual of Greenville Technical College, hereinafter referred to as the College, for the period July 1, 1998 to December 31, 1999. Our on-site review was conducted February 14 - 25, 2000 and was made under the authority described in Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Regulation 19-334.2020.

Since our previous audit in 1996, the College has maintained what we consider to be a professional, efficient procurement system. We did note, however, the following points which should be addressed by management.

### Blanket Purchase Agreements Not Extended Correctly

The College issued numerous blanket purchase agreements. Regulation 19-445.2100(F) allows for blanket purchase agreements up to a maximum of twelve months. However, the agreements for the current fiscal year were extended without any letters to extend the agreements.

We recommend the College comply with the regulation by preparing blanket purchase agreements that do not exceed twelve months.

### Unauthorized Procurements

The College helped to establish the Greenville Technical Charter School which operates independently of the College. While the Charter School was being established, the College made the following two procurements for the Charter School.

<u>Document</u>	<u>Amount</u>	<u>Description</u>
PO 48311	\$55,000	Charter writing services
Check 246908	5,525	Insurance premium

Section 11-35-40 (2) of the Code states, "This Code shall apply to every expenditure of funds by this State under contract acting through a governmental body as herein defined irrespective of the source of the funds, including federal assistance monies." Furthermore, Regulation 19-445.2015 defines an unauthorized procurement as an act obligating the State in a contract by any person without the requisite authority to do so by an appointment or delegation. These

procurements were subject to the Code and should have been sent to the Materials Management Office as each exceeded the College's certification of \$5,000.

We recommend the College submit ratification requests for the two unauthorized procurements to the Materials Management Officer in accordance with Regulation 19-445.2015.

#### Unauthorized Construction Change Order


The College entered into a construction contract for asbestos abatement. The bid contained a base price of \$45,852 and unit prices per square foot. Additional work was performed under this contract and billed based on the unit prices. The final amount paid exceeded the contract base price by \$60,885. However, no change order was prepared and submitted to the Office of the State Engineer for approval. Paragraph 7.7 of the Manual for Planning and Execution of State Permanent Improvement Projects requires that change orders with any item or change in work which exceeds an agency construction change order certification be approved by the State Engineer prior to authorizing any work. Since the additional charges were caused by additional work, the total of \$60,885 is unauthorized as it exceeded the College's certification of \$5,000.

We recommend the College submit a ratification request to the Materials Management Officer in accordance with 19-445.2015. In the future, all changes in work should be submitted to the Office of the State Engineer in accordance with the Manual.

## CONCLUSION

As enumerated in our transmittal letter, corrective action based on the recommendations described in this report will in all materials respects place Greenville Technical College in compliance with the Consolidated Procurement Code and ensuing regulations.

The College has not requested increased procurement certification above the basic limit of \$5,000 allowed by the Code. Subject to corrective action listed in this report, we will recommend the College be allowed to continue procuring all goods and services, consultant services, construction services and information technology up to the basic level of \$5,000 as allowed by the South Carolina Consolidated Procurement Code and accompanying regulations.

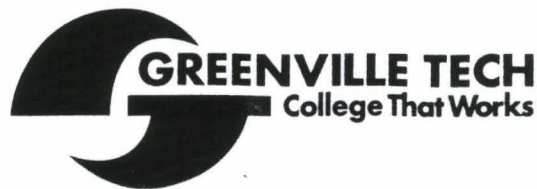


Melissa Rae Thurstin  
Senior Auditor



Larry G. Sorrell, Manager  
Audit and Certification





Thomas E. Barton, Jr.  
President

July 14, 2000

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P.O. Box 5616  
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29606-5616  
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www.greenvilletech.com

Mr. Voight Shealy  
Chief Procurement Officer  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201

Dear Mr. Shealy:

Greenville Technical College concurs with the findings of the recent audit of our procurement records. The audit revealed three inappropriate transactions that need to be ratified. Two were payments on behalf of the new Charter High School; writing of the charter and an insurance premium payment. Greenville Tech had received some misinformation from the Department of Education and believed that the transactions were exempt from the Procurement Code. The Charter School now operates as an independent entity. The other transaction involved issuing construction change orders without prior approval of the State Engineer. In the future, all changes in work that require a contract change order will be submitted to the State Engineer for approval.

We respectfully request that ratification of the above transactions be granted. If further information is needed, please let me know.

Sincerely,

Joe E. Cooper  
Executive Vice President

JEC:bjd

cc: Larry Sorrell  
Colin Sayer  
Marilyn Pietraschke

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JUL 14 2000

STATE OF SOUTH CAROLINA  
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R. VOIGHT SHEALY  
ASSISTANT DIRECTOR

July 17, 2000

JOHN DRUMMOND  
CHAIRMAN, SENATE FINANCE COMMITTEE

ROBERT W. HARRELL, JR.  
CHAIRMAN, WAYS AND MEANS COMMITTEE

RICK KELLY  
EXECUTIVE DIRECTOR

Mr. R. Voight Shealy  
Materials Management Officer  
Materials Management Office  
1201 Main Street, Suite 600  
Columbia, South Carolina 29201

Dear Voight:

We have reviewed the Greenville Technical College's response to our audit report for July 1, 1998 – December 31, 1999. Also, we have followed the College's corrective action during and subsequent to our field work. We are satisfied that the College has corrected the problem areas and the internal controls over the procurement system are adequate.

Additional certification was not requested. Therefore, we recommend the College be allowed to continue procuring all goods and services, construction services, information technology and consulting services up to the basic level of outlined in the Code.

Sincerely,

A handwritten signature in dark ink, appearing to read "Larry G. Sorrell".

Larry G. Sorrell, Manager  
Audit and Certification

LGS/jl

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